

Minutes of the Financial Stability Oversight Board Meeting December 19, 2008

A meeting of the Financial Stability Oversight Board (“Board”) was held on Friday, December 19, 2008. The first part of the meeting occurred by telephone conference call and commenced at 8:30 a.m. (EST). The second part of the meeting occurred at the offices of the Department of the Treasury (“Treasury”) and commenced at 2:00 p.m. (EST).

MEMBERS PARTICIPATING OR PRESENT:

Mr. Bernanke, Chairperson
Mr. Paulson
Mr. Cox
Mr. Preston
Mr. Lockhart

STAFF PARTICIPATING OR PRESENT:

Mr. Treacy, Executive Director
Mr. Fallon, General Counsel
Mr. Gonzalez, Secretary

AGENCY OFFICIALS PARTICIPATING OR PRESENT:

Mr. Kashkari, Interim Assistant Secretary of the Treasury for Financial Stability and Assistant Secretary of the Treasury for International Economics and Development

Mr. Swagel, Assistant Secretary of the Treasury for Economic Policy²

Mr. Hoyt, General Counsel,
Department of the Treasury

Mr. Jester, Department of the Treasury¹

Mr. Shafran, Senior Advisor to the Secretary, Department of the Treasury¹

Mr. Lambright, Chief Investment Officer, Office of Financial Stability, Department of the Treasury²

Mr. Wolfeich, Chief Compliance Officer, Office of Financial Stability, Department of the Treasury

Mr. Alvarez, General Counsel, Board of Governors of the Federal Reserve System¹

Ms. Liang, Associate Director, Division of Research & Statistics, Board of Governors of the Federal Reserve System²

Mr. Cartwright, General Counsel, Securities and Exchange Commission

Mr. Scott, Senior Advisor to the Chairman, Securities and Exchange Commission

Mr. Borchert, Senior Advisor to the Secretary of the Department of Housing and Urban Development

Mr. Montgomery, Assistant Secretary for Housing and Commissioner of the Federal Housing Administration, Department of Housing and Urban Development²

¹ Participated in morning session only.

² Present for afternoon session only.

Mr. DeMarco, Chief Operating Officer and Deputy Director for Housing Mission and Goals, Federal Housing Finance Agency

Chairperson Bernanke called the meeting to order at approximately 8:30 a.m. (EST).

Mr. Paulson and other officials from the Treasury provided a briefing on certain actions that Treasury expected to announce later that morning to promote stability in the U.S. financial system by providing assistance under the Troubled Asset Relief Program (“TARP”) to General Motors Corp. (“GM”) and Chrysler Holding LLC (“Chrysler”). During the briefing, Members raised and discussed various matters related to the assistance to be provided to GM and Chrysler, including the financial condition of both companies, the potential effects of a disorderly failure of GM and Chrysler on the U.S. economy and the financial system, and the terms and conditions of the expected actions.

Treasury officials provided an overview of the principal terms and conditions of the \$13.4 billion loan that would be provided to GM and the \$4 billion loan that would be provided to Chrysler under the TARP. Among other things, Members and Treasury officials discussed the interest rate on the loans, the timing of the loan disbursements, and the terms and conditions of the warrants to purchase common stock or obtain additional notes of GM and Chrysler that Treasury would receive in connection with the investment. Members also discussed the collateral available to support repayment of the loans, including whether such collateral included the cash accounts of the companies. Members and

officials also reviewed and discussed the timing and substance of various reports and certifications that GM and Chrysler would be required to submit to, or obtain from, a special designee of the President of the United States (“President’s Designee”) under the terms and conditions of the loans. For example, Members and officials discussed the restructuring plan and term sheets that each company would have to submit to the President’s Designee no later than February 17, 2009; the written certifications and progress reports that each company would have to submit to the President’s Designee no later than March 31, 2009; and the certification that the President’s Designee would be required to make within 30 days of March 31, 2009, regarding the efforts of the each company to achieve and sustain the long-term viability, international competitiveness and energy efficiency of the company in accordance with its restructuring plan. Treasury officials also provided an overview of the restrictions on executive compensation and bonuses and corporate expenses that would apply to the companies under the terms of the loan agreements.

Members and officials also discussed the resources available to address financial stability concerns under the TARP in light of the assistance to be provided to GM and Chrysler. As part of this discussion, Treasury officials noted that funding of the last tranche of the assistance to be provided to GM would be contingent on the receipt of additional TARP funds as provided in section 115(a)(3) of the Emergency Economic Stabilization Act (“EESA”).

Members also discussed the financial and regulatory status of certain

auto-finance companies, the authority granted to the Pension Benefit Guaranty Corporation under Title IV of the Employee Retirement Income Security Act of 1974 (§4042 and §4047), and the issues (including competitive implications) that might be associated with such an exercise of authority.

At approximately 9:10 a.m. (EST), Chairperson Bernanke called the meeting to recess until 2:00 p.m. (EST).

When the meeting reconvened, the Board first considered the minutes for the meeting of the Board held on December 10, 2008. After discussion of the minutes and potential modifications thereto, the Members agreed to circulate the minutes for approval by notation vote.

The Board then considered proposed procedures, which had been circulated in advance of the meeting, to ensure that sound and effective recordkeeping practices are in place for the Board and that all official records of the Board are maintained and preserved appropriately. After discussion, it was unanimously:

“Resolved, that the Financial Stability Oversight Board hereby adopts the Procedures of the Financial Stability Oversight Board Regarding Official Records.”

Treasury officials then provided an update concerning the capital purchase program (“CPP”) established under the TARP. Members and officials discussed, among other things, the current number of

applications received and approved by Treasury, recently closed transactions and the amount of funds requested and disbursed. Members also discussed the standards applied in reviewing requests for TARP funds, including the types of firms that might seek assistance from the TARP in light of recent actions and the standards for reviewing current or potential future requests for assistance from the automotive or other industries.

Members and officials then engaged in a discussion regarding the first quarterly report to Congress that will be issued by the Board pursuant to section 104(g) of the EESA. Using materials, Members and officials discussed, among other things, the timing and potential contents of the report. Members also discussed, among other things, conditions in the domestic and global markets prior to the implementation of the TARP, the limitations of the policy tools available to policymakers before the TARP, the size of the TARP relative to the size of the U.S. economy and financial system, the changes observed in certain financial market indicators immediately following TARP-related actions, and the potential impact on the economy and the financial system if capital from the TARP had not been made available to the banking system.

The meeting was adjourned at approximately 3:00 p.m. (EST).

Jason A. Gonzalez
Secretary